

CLASSIFICATION

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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

INFORMATION REPORT

CD NO.

COUNTRY China

DATE DISTR. 14 June 1949

SUBJECT Economic Situation in Tsingtao under Communist Control

NO. OF PAGES 2

PLACE 25X1C

ACQUIRED [REDACTED]

RETAIN OR DESTROYNO. OF ENCLS.
(LISTED BELOW)

DATE OF IN [REDACTED]

SUPPLEMENT TO 25X1X
REPORT NO.

Next Review Date: 2008

1. The only government banks operating in Tsingtao are the Bank of China and the Bank of Communications, which are assigned Communist administrators. Private commercial banks, such as the Kincheng Banking Corporation and the Shantso Bank, are operating without Communist interference.
2. The Bank of China was instructed to purchase foreign exchange for the account of the Communist government's financial section, which has its headquarters in the Central Bank of China building.
3. On 8 June the foreign department of the Bank of China was requested to get in touch with local foreigners to ascertain their reaction to the local Communist control. The department was also requested to maintain a constant check on foreign opinions and reactions to all regulations to be issued.
4. On 6 June exchange rates were instituted at People's Bank Notes (PBN) \$550 to one Chinese silver or US dollar. Gold bars are quoted at Silver \$82 an ounce.
5. On 7 June the black market started at PBN \$570 to one silver dollar. On 9 June the quotation was PBN \$900 and over for one silver dollar, and the US dollar was quoted for considerably more PBN.
6. On 10 June the black market was PBN \$1,200 to one large-head silver dollar.
7. Commodity prices are much increased. Flour is Silver \$3.50 for 50 pounds and cloth, previously selling for Silver \$4, is now selling for Silver \$7.50.
8. Merchants dealing privately in commodities have switched to a gold bar basis. Talung cloth, formerly Silver \$3.75 a piece, is quoted at 2.6 ounces of gold for a bale of twenty pieces. Since merchants are not allowed to move cargoes on the streets, only trading on godown receipts is possible.
9. On 7 June the department stores held a meeting and agreed to advance all prices one hundred percent to compensate for the anticipated inflation of of local currency in the terms of silver and US dollars.

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10. Farmers and small dealers are waiting outside Tsingtao to bring eggs, vegetables and grains to the city, but they cannot enter until martial law is lifted.
11. The Communist military representatives assigned to each bank*, utility, textile mill, government office, etc., meet daily for instructions. They have been instructed to get suggestions from every possible source for ways and means of restoring export trade and the import of raw materials for factory use. The suggestions are limited to possible barter transactions.
12. The possibility of reviving trade in frozen and shell eggs is being explored, with the government financing, in local currency, the buying of eggs in the interior, and utilizing the foreign exchange derived from this export for the import of raw cotton.

* [REDACTED] Comment. Presumably this refers to government banks (see paragraph 1).

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